

1 Q. **Reference Application Rev. 1, Volume 1, Section C: Projects Over \$500,000, Terminal Station**
2 **Refurbishment and Modernization, pages C-42 to C-44**

3 It is stated "*The replacement of such assets is required to ensure Hydro continues to deliver safe,*
4 *reliable, least-cost electricity in an environmentally responsible manner.*" Please quantify risk,
5 reliability and rate impacts on customers if this project were deferred by two years. With
6 respect to risk, please identify the probability of failure and the consequences of failure. In
7 effect, what is the trade-off between cost to ratepayers, system reliability and risk?

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10 A. The Terminal Station Refurbishment and Modernization project is proposed to execute required
11 sustaining capital works for Newfoundland and Labrador Hydro's ("Hydro") existing assets so as
12 to operate, maintain, and renew its infrastructure to achieve required service standards and to
13 optimize the cost of electricity in an environmentally responsible and safe manner.

14 Hydro uses its internal expertise supplemented, when required, by consultants, original
15 equipment manufacturers, and readily available industry information to determine, in Hydro's
16 opinion, the appropriate timing of capital work to maintain service standards and to optimize
17 costs. As noted in the information presented by Hydro, deferral of this project is not a viable
18 option as it will increase the risk of premature failures. Hydro believes, based upon its
19 knowledge at this time, deferral would be imprudent. The detail requested for quantification of
20 risk and reliability impact requires analysis capability which, at this time, Hydro does not have
21 within its Asset Management System.

22 With respect to rate impact, Hydro does not compute rate impact on an individual project basis.
23 Hydro's pro forma computation of revenue requirement impact on a total capital budget basis
24 was included in its 2021 Capital Projects Overview.